



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

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**ECONOMICS**

**0455/31**

Paper 3 Analysis and Critical Evaluation

**October/November 2012**

**1 hour 30 minutes**

Candidates answer on the Question Paper.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

**DO NOT WRITE IN ANY BARCODES.**

Answer **all** questions.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [ ] at the end of each question or part question.

<b>For Examiner's Use</b>	
1	
2	
<b>Total</b>	

This document consists of **8** printed pages and **1** Insert.



The extract '**Changes in Japan's price level**' will be needed for this question.

- 1 (a) Define the term 'inflation'.

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[2]

- (b) Does Table 1 support the view that Japan was experiencing a harmful fall in the price level? Explain your answer.

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[3]

- (c) Apart from the price level and unemployment, identify another economic indicator mentioned in the extract.

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[1]

- (d) Explain why spending on capital equipment may decrease during a period of a harmful fall in the price level.

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• [4]

- (e) What is meant by fiscal policy?

[2]

. [2]

- (f) Discuss whether a central bank should reduce its interest rate.

*For  
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..... [8]

[Total: 20]

The extract '**Improving the environment**' will be needed for this question.

2 (a) Identify:

- (i) a private benefit from switching off electrical equipment

..... [1]

- (ii) an external benefit from switching off electrical equipment.

..... [1]

(b) What is meant by government regulation?

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- (c) (i) Identify **two** examples from the extract of the factor of production called land.

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- (ii) Explain how resources are allocated in a market system.

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- (iii) Explain how the events described in the extract will affect the price of coal.

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[2]

- (d) What evidence is there in the extract that government intervention does not always solve market failure?

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[3]

**Question 2(e) is on the next page**

- (e) Discuss whether a reduction in consumption of palm oil by Pakistan would reduce global CO<sub>2</sub> emissions.

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. [6]

[Total: 20]

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